

Message Text

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C O N F I D E N T I A L STATE 057168

FOLLOWING REPEAT GENEVA 1867 ACTION SECSTATE DEC 11 MAR

QTE

C O N F I D E N T I A L GENEVA 1867

E.O. 11652: GDS

TAGS: UNCTAD, EGEN

SUBJECT: UN NEGOTIATING CONFERENCE ON A COMMON FUND: GROUP B
DISCUSSION ON CONFERENCE STRATEGY

1. SUMMARY: MARCH 10 GROUP B (DEVELOPED COUNTRIES)
MEETING OF HEADS OF DELEGATION CONCENTRATED ON EXCHANGE
OF VIEWS ON STRATEGY TO BE FOLLOWED DURING CURRENT
COMMON FUND MEETING IN THE LIGHT OF THE POSITION OF
THE INDIVIDUAL COUNTRIES, WITH U.S. IN MIDDLE OF SPECTRUM
ON BOTH POSITION AND TACTICS U.S. REP (BOSWORTH) HAD A
PRIOR CONVERSATION WITH EUROPEAN COMMUNITY REP
(STEELE - U.K.) WHICH CONFIRMED THAT E.C. INTENTIONS
AND AIMS FOR THE CONFERENCE ARE QUITE SIMILAR TO OUR
OWN AND IN WHICH IT WAS AGREED TO CONTINUE TO COORDINATE
OUR ACTIONS CLOSELY. END SUMMARY.

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2. BOSWORTH (US) OPENED GROUP B DISCUSSION MARCH 10
BY NOTING THAT U.S. INTENDED TO MAKE A FAIRLY POSITIVE-
SOUNDING STATEMENT IN PLENARY LATER IN THE DAY. OUR
WILLINGNESS TO LOOK AT ASPECTS AND OPTIONS ON A
COMMON FUND, HOWEVER, DID NOT INDICATE THAT THE U.S.
WAS PREPARED TO COME DOWN WITH A FIRM POSITION ON A

FUND DURING THE CURRENT MEETING. INDEED, IT WAS OUR VIEW THAT THE CONFERENCE SHOULD END WITHOUT ANY POSITIVE SIGNALS ON A FUND BEING GIVEN. WE SHOULD INSTEAD AGREE ON AN ONGOING PROGRAM OF WORK WHICH WOULD ALLOW US TO EXAMINE DETAILS OF A FUND, BUT NEITHER COMMIT US TO A FUND NOR TO ANY PARTICULAR VERSION OF A FUND. THE U.S. CONSIDERED THAT THE WORK OF THE CURRENT CONFERENCE COULD BE DIVIDED INTO TWO PHASES: (1) CONTINUATION OF THE INTERROGATORY APPROACH ON THE G-77/UNCTAD PROPOSAL FOR A COMMON FUND; AND (2) EXAMINATION OF THE VARIOUS ALTERNATIVES FOR A COMMON FUND, WITHOUT ANY DEGREE OF COMMITMENT TO A PARTICULAR OPTION. TO SOME DEGREE, THE TWO PHASES WOULD MERGE, DEPENDING UPON THE ASPECT OF THE FUND UNDER CONSIDERATION. THE END RESULT OF THE CONFERENCE UNDER THIS SCENARIO WOULD BE INCONCLUSIVE ALTHOUGH SOME NARROWING OF OPTIONS MIGHT BE POSSIBLE.

3. NORWEGIAN DELEGATE NOTED THAT HE WAS AT THE OPPOSITE END OF THE SCALE FROM THE U.S. HE THOUGHT IT WAS ABSOLUTELY ESSENTIAL THAT SOME POSITIVE SIGNAL BE GIVEN AT THE END OF THE CONFERENCE TO INDICATE THAT PROGRESS HAD TAKEN PLACE, ALTHOUGH HE WAS UNCERTAIN ABOUT WHAT FORM THIS SIGNAL MIGHT TAKE. THE ABSENCE OF SUCH A SIGNAL COULD PROVOKE A MAJOR EXPLOSION, FINNISH DELEGATE ADDED THAT THIS IN TURN COULD HAVE MAJOR REPERCUSSIONS FOR THE CIEC. SWEDISH REP WAS MORE CAUTIOUS, SIMPLY NOTING THAT IF U.S. VIEW WAS ADOPTED BY THE GROUP, THIS SHOULD BE CLOSELY CONFIDENTIAL

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HELD WITHIN GROUP B FOR THE TIME BEING.

4. CANADIAN REP (HILTON) SAID THAT HE THOUGHT CANADA REPRESENTED THE OPPOSITE END OF THE SPECTRUM FROM THE NORWEGIANS, NOT THE U.S. HIS GOVERNMENT WAS NOT YET READY TO SAY THAT IT HAD NO A PRIORI OBJECTIONS TO A FUND, SINCE THEY CONTINUED TO PREFER THAT THE ISSUE OF ADEQUATE FINANCING OF BUFFER STOCKS BE ADDRESSED THROUGH INDIVIDUAL AGREEMENTS BY A COMMITMENT BY BOTH EXPORTERS AND IMPORTERS TO FINANCE THEM. HE AGREED WITH THE U.S. REP'S CONCLUSIONS ABOUT HOW THE CURRENT MEETING MIGHT END; THERE WAS NO OBLIGATION ON THE PART OF GROUP B TO COME UP WITH QUICK ACTION ON THE G-77 PROPOSAL FOR A FUND. A PROPER AND POSITIVE SIGNAL AT THE END OF THE MEETING MIGHT BE SIMPLY AN AGREED FUTURE WORK PROGRAM ON FUND ISSUES. AUSTRALIAN REP (TEESE) TOLD US PRIVATELY AFTER MEETING THAT HIS GOVERNMENT'S POSITION WAS SIMILAR TO THAT OF CANADA.

5. EC REP (STEELE) SAID HE AGREED WITH US REP'S REMARKS ON HOW TO PROCEED DURING CURRENT CONFERENCE. WE SHOULD AGREE ON WHAT WE ARE PREPARED TO REJECT (I.E., THE UNCTAD PROPOSAL FOR A FUND AS A CENTRAL SOURCE OF FINANCE), BUT NOT ATTEMPT TO REACH AGREEMENT ON ANY PARTICULAR OPTION. IN THIS CONNECTION IT MIGHT BE POSSIBLE TO CONVERT THE SECRETARIAT PAPER ON ELEMENTS OF A FUND PREPARED FOR THE CURRENT MEETING (COPY ALREADY IN DEPARTMENT) INTO AN OPTIONS PAPER TO SERVE AS A BASIS FOR DISCUSSION. FURTHERMORE, GROUP B NOW HAD EITHER COMPLETED OR HAD IN PREPARATION A SERIES OF PAPERS SUBJECTING VARIOUS ASPECTS OF UNCTAD'S VERSION OF A FUND TO THOROUGH AND CRITICAL SCRUTINY; IT MIGHT BE POSSIBLE TO CONVERT THESE INTO A BASIS FOR GROUP B PRESENTATIONS AS THE MEETING PROGRESSED, AND SUBMIT THEM FOR USE AS DISCUSSIONS PAPERS.

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6. DISCUSSION THEN FOCUSED ON POSSIBLE SUBJECTS WHICH MIGHT BE TAKEN UP IN EARLY MEETINGS WITH THE G-77. MOST AGREED THAT GROUP B WAS IN A GOOD POSITION TO POSSIBLY DEVELOP A DISCUSSION PAPER ON THE OTHER MEASURES (E.E., NON-BUFFER STOCK MEASURES) MENTIONED IN THE UNCTAD PROPOSAL, WHICH WOULD POINT OUT EXISTING ARRANGEMENTS AND ASK FURTHER SEARCHING QUESTIONS ABOUT G-77 SPECIFIC IDEAS. IT WAS ALSO FELT THAT GROUP B MIGHT BE ABLE TO SUBJECT UNCTAD'S ESTIMATES OF THE FINANCIAL REQUIREMENTS FOR A FUND AND ITS SYSTEM FOR OBTAINING THE FINANCE REQUIRED (\$6 BILLION) TO FURTHER SCRUTINY, PROVIDED THAT IT WAS CLEAR THAT IN OUR VIEW SUCH ESTIMATES WERE IN FACT ONLY ESTIMATES AND THAT USEFUL FIGURES COULD ONLY BE THOSE ARRIVED AT BY PRODUCERS AND CONSUMERS IN THE INDIVIDUAL COMMODITY FORUMS. STEELE AND CANADIANS HAD SOME DOUBTS ABOUT PROCEEDINGS EVEN ON THIS LIMITED BASIS ON THIS LATER SUBJECT, HOWEVER, AND THIS WILL REQUIRE FURTHER DISCUSSION. IT WAS ALSO AGREED THAT GROUP B SHOULD FURTHER CONSIDER TABLING, WITHOUT COMMITMENT, A GENERAL OPTIONS PAPER ON MODES OF OPERATION OF A FUND WHEN WE HAD REACHED THAT STAGE OF THE EXERCISE. THIS COULD BE BASED ON THE GROUP B OPTIONS PAPER ALREADY AGREED AT THE SECOND PREPARATORY MEETING, ALTHOUGH POSSIBLY EXPANDED, AND LINKED TO SECRETARIAT PAPER ON ELEMENTS OF A FUND.

7. US REP MET EARLIER WITH STEELE AND GAVE HIM AN ADVANCE INDICATION OF OUR INTENDED PRESENTATION. HE WAS CONSIDERABLY MORE CAUTIOUS IN HIS TALK WITH US THAN HE APPEARED IN THE MEETING REPORTED ABOVE. HE

SAID THAT HE DID NOT CONSIDER IT POSSIBLE TO COME
DOWN IN FAVOR OF A GIVEN OPTION UNTIL "MUCH LATER
THIS YEAR", AND THAT AS HE CONCEIVED OF SCENARIO ON
COMMON FUND FOR INTERNATIONAL MEETINGS, THERE COULD
BE NO SIGNAL AT CURRENT MEETING, POSSIBLY AN AGREEMENT
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"IN PRINCIPLE" ON A FUND AT CIEC, WITH HEAVY AND
HARD BARGAINING FOLLOWING ON WHICH OF THE OPTIONS AND
THEIR DETAILS THE DEVELOPED COUNTRIES MIGHT BE ABLE
TO ACCEPT. IT IS CLEAR THAT STEELE IS UNDER CONSIDERABLE
PRESSURE FROM THE DUTCH ON HIS LEFT AND THE GERMANS
ON HIS RIGHT; IN THIS CONNECTION HIS REMARKS SHOULD
BE CLOSELY HELD, SINCE THEY UNDOUBTEDLY DIVERGE FROM
THE VIEWS OF ANY INDIVIDUAL COMMUNITY MEMBER. WE
ALSO SKETCHED OUT TO HIM U.S. INTEREST IN HOLDING
A SERIES OF BI-LATERALS DURING THE MONTH WITH INDIVIDUAL
LDCS AT THEIR CAPITALS ON COMMODITY ISSUES IN AN EFFORT TO
INDICATE WHAT THE LARGER COMMODITIES PACKAGE LOOKED LIKE AND
THUS HOPEFULLY HEAD OFF ANY MOVE TOWARD CONFRONTATION
ON THE FUND ISSUE TOWARD THE END OF THE CURRENT
CONFERENCE. WE AGREED WE SHOULD CONTINUE TO COORDINATE
OUR POSITIONS AND TACTICS CLOSELY DURING THE CONFERENCE.

8. IT SHOULD ALSO BE NOTED THAT AFTER ABOVE GROUP B
DISCUSSION TOOK PLACE, GROUP B COORDINATOR (BARRASS)
HAS SINCE SUGGESTED IN GROUP B ON MARCH 11 THAT GROUP
MIGHT CONSIDER WHETHER IT WOULD BE POSSIBLE TO
AGREE ON A SET OF PRINCIPLES WHICH WOULD GOVERN THE OPERATION
OF ANY COMMON FUND. US REP HAS AGREED TO PARTICIPATE IN
THIS EXERCISE, BUT EXPRESSED SKEPTICISM ABOUT THE
ABILITY OF GROUP B TO REACH ANY MEANINGFUL AGREEMENT
ON THIS SUBJECT WHICH COULD SERVE AS A BASIS FOR A
PRESENTATION, EITHER WRITTEN OR ORAL, AND REITERATED
OUR VIEW THAT FIRST PHASE SHOULD CONCENTRATE ON
CRITICALLY EXPLORING G-77/UNCTAD PROPOSAL FOR A FUND.
GENERAL BRIEF DISCUSSION OF THIS MARCH 11 SHOWED
POSSIBLE PRINCIPLES MOSTLY NEGATIVE (E.G., FUND
SHOULD NOT INTERVENE DIRECTLY IN MARKETS), MANY OF
THESE UNACCEPTABLE TO DUTCH/SCANDANAVIAN WING, AND
EVEN SEEMINGLY HARMLESS PRINCIPLES CONTAIN IMPLICATIONS
WITH WHICH WE AND OTHERS IN GROUP WOULD HAVE CONSIDERABLE
DIFFICULTY -- E.G., IF IT IS STATED THAT FUND SHOULD
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AIM AT THE STABILIZATION OF PRICES WITHIN LONG-TERM

LEVELS DICTATED BY SUPPLY AND DEMAN, THIS MAY
SUGGEST IT COULD DICTATE TO SOME DEGREE TERMS OF
INDIVIDUAL COMMODITY AGREEMENTS. THIS SUBJECT WILL
BE TAKEN UP AGAIN EARLY NEXT WEEK.

9. CABLE DRAFTED AFTER BOSWORTH'S DEPARTURE FROM
POST. CATTO UNQTE VANCE

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Message Attributes

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Sent Date: 15-Mar-1977 12:00:00 am
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